

STATE OF VERMONT
PUBLIC SERVICE BOARD

Order entered: 1/8/2007

**ORDER RE GEOGRAPHIC TARGETING
OF ENERGY EFFICIENCY UTILITY FUNDS**

I. INTRODUCTION

In this Order, the Public Service Board ("Board") identifies four geographic areas in which Efficiency Vermont¹ will deliver targeted energy-efficiency measures during 2007 and 2008. In addition, this Order requires Efficiency Vermont to work with the Vermont electric utilities to ensure that the effectiveness of the targeted energy-efficiency measures is properly evaluated. Finally, we remind the electric distribution utilities that this expenditure of funds in targeted geographic areas does not relieve the utilities that serve these areas of their resource planning obligations for the targeted areas.

II. BACKGROUND AND SUMMARY OF COMMENTS RECEIVED

On September 25, 2006, the Board issued an Order establishing the policy for the expenditure of Energy Efficiency Utility ("EEU") funds. In that Order, we stated that, for the original 2006 through 2008 budget levels, we would maintain the geographic equity and customer class equity requirements contained in the Board's existing contract with the entity serving as the EEU. In addition, the Board determined that the additional funding amounts established in the Board's August 2, 2006, Order would be utilized to achieve energy and capacity reductions in targeted geographic areas.² The September 25 Order established a

1. Efficiency Vermont is the entity designated by the Board to provide energy efficiency services in all areas of Vermont, with the exception of the City of Burlington Electric Department service territory, which provides its own energy efficiency services.

2. The Board recognized that the process for identifying appropriate geographic areas to target this additional funding would take time, and required that, prior to the identification of the geographic areas, the EEU utilize these incremental funds to reduce demand statewide, to the extent possible.

technical working group to identify high-load-growth areas and areas with capacity-constrained transmission and distribution infrastructure.

On October 3, 2006, the Board held a workshop to establish a process for identifying the geographic areas that should receive targeted energy-efficiency funding. At the October 3 workshop Green Mountain Power Corporation ("GMP") proposed the creation of a template for collecting information necessary to prioritize geographic areas. The electric distribution utilities present agreed to review GMP's proposed template and provide the necessary information. However, the utilities subsequently informed the Board that they would not be able to collect the necessary information within the time necessary for the Board to issue a decision by the end of the year identifying the geographic areas to be targeted.

On November 1, 2006, Central Vermont Public Service Corporation ("CVPS") and other utilities filed a proposal whereby each utility would identify a constrained area within its service territory that would be eligible for receiving targeted energy-efficiency measures. The November 1 filing suggested that the funding for these targeted measures would be provided in proportion to each utility's statewide energy load. At a November 7, 2006, workshop Efficiency Vermont expressed concern with implementing targeted energy-efficiency measures in a large number of geographic areas. The utilities recognized this implementation issue and proposed instead that they be allowed time to develop a consensus recommendation to the Board. The Board accepted this alternative and directed the utilities to file the proposal by December 4, 2006.

On December 4, 2006, the electric distribution utilities³ submitted a joint proposal identifying four geographic areas in which the Board should apply targeted energy-efficiency measures. The filing lists each geographic area and the associated distribution and transmission constraints. The description of the areas, as set forth in the December 4 filing, is as follows:

3. The December 4 filing indicates that all of the electric distribution utilities, with the exception of Vermont Marble Power Division of OMYA, Inc. ("Vermont Marble"), agreed to the recommendation. Vermont Marble received notice of the workshops but did not provide any comments on the December 4 filing.

Utility	Distribution Constraint	Related Transmission Constraint
Central Vermont Public Service Corporation	St. Albans City and Town - DSM [demand-side management] has the potential to defer the need for a new 34.5/12.47 kV substation in the St. Albans area (2010).	This targeting could also aid in reducing the reliability exposure related to the 34.5 kV subtransmission system that is currently part of an ASC [area-specific collaborative]. This targeting could also positively impact numerous problems identified in the VELCO [Vermont Electric Power Company, Inc.] Long Range Transmission Upgrade List.
CVPS	Southern Loop - DSM has the potential to defer distribution line loading problems on the Manchester 12.47 kV circuits.	This targeting will also positively impact constraints on the Southern Loop 46 kV subtransmission.
Green Mountain Power Corporation	Colchester, Winooski, Essex, Williston, South Burlington Area - DSM has the potential to defer the 2010 (New Gorge VELCO substation and related infrastructure improvements, the (2014) third distribution feeder in Winooski, and the (2016) Essex VELCO substation upgrade and related infrastructure improvements.	This targeting could also positively impact numerous problems identified in the VELCO Long Range Transmission Upgrade List.
Vermont Electric Cooperative, Inc.	Newport and Derby Area - DSM has the potential to extend the useful life of VEC's Newport 20 MVA transformer (located within VELCO's Newport substation) and a 5 MVA transformer at VEC's Derby substation.	This targeting also helps reduce demand when the Newport-Derby area load is served by VELCO. This benefit is secondary to the benefit of reducing the potential distribution constraint.

The affected utilities further state that they are preparing additional information necessary for Efficiency Vermont to effectively target these areas, including the number of customers and attendant loads within the region by Energy Efficiency Charge Customer Class, the circuits and

customer accounts that comprise the target zones, the amount of load reduction within the target zone that could make a difference, and the shape of the necessary load reduction (*e.g.*, winter or summer).

On December 11, 2006, Vermont Electric Power Company, Inc. ("VELCO") filed a letter supporting the December 4 proposal and noted that "[i]ncremental DSM [demand-side management] targeted to the four areas outlined in that memo should be able to reduce the exposure to the transmission reliability concerns at these locations, and in aggregate, potentially defer large scale transmission projects." However, VELCO also noted that it must be possible to evaluate whether the incremental expenditures on energy-efficiency achieve the goal of deferring transmission and distribution infrastructure improvements. VELCO suggests several indicators that would be necessary to make such an evaluation.

On December 18, 2006, the Department of Public Service ("Department") filed a letter stating that it agrees with the December 4 filing to the extent that it identifies the Southern Loop, St. Albans, and Colchester areas. The Department contends that providing targeted energy-efficiency in the Newport and Derby area does not provide comparable system benefits to the others. However, the Department notes that the Newport and Derby area "offers a discrete project that may be appropriately targeted for the limited purposes contemplated by the proposal." The Department recommends that the targeted energy-efficiency programs focus on summer peak periods, at least for the St. Albans, Colchester, and Derby and Newport areas.

III. DISCUSSION

The Board accepts the utilities' December 4 recommendation and appreciates the effort involved in developing this collaborative proposal. While the Board would prefer a process that provides more objective information, we recognize that, given the short time frame and the length of time necessary to prepare planning studies, the collaborative proposal is the best solution that can be offered at this time. However, if the Board determines that future geographic targeting is appropriate, we will work towards developing an improved process for collecting and

analyzing the information necessary to allow an identification and prioritization of suitable areas.⁴

It is expected that the targeting of energy efficiency funds in the four areas identified can defer the need for transmission and distribution upgrades in these areas, upgrades that could involve economic and environmental costs that would otherwise be borne by all Vermonters. However, the Board recognizes that geographic targeting of energy efficiency on this scale has not previously been attempted in Vermont; thus, we will put in place procedures to ensure that the results of these efforts are fully evaluated. We direct Efficiency Vermont to work with the electric utilities and the Department of Public Service to ensure the collection of appropriate information necessary to adequately evaluate the geographic targeting efforts. Efficiency Vermont is further directed to file a proposed protocol for determining the cost-effectiveness of the targeted energy efficiency measures and evaluating whether the targeted measures have effectively deferred transmission and distribution upgrades. The proposed protocol shall be filed by February 15, 2007.

We request that the Department work with Efficiency Vermont and the Vermont electric utilities to develop the evaluation measurements necessary to determine whether geographically targeted energy efficiency can achieve the intended result of deferring transmission and distribution upgrades. We further request that the Department file a report by April 2, 2007, indicating whether any additional evaluation measures are needed.⁵ Any comments on the Department's April 2 filing must be received by April 16, 2007. The Board will also request comments in 2008 regarding the efficacy of targeting energy efficiency measures in geographic areas.

We emphasize that the Board's adoption of the utilities' recommendation does not obviate each utility's individual responsibility for resource planning for that region. Each utility that will

4. The utilities noted during the workshop that the memorandum of understanding between the majority of the electric utilities and the Department, proposed in Docket 7081, would address many of the concerns for identifying and prioritizing constrained areas. Docket 7081 is pending before the Board at this time.

5. The Department's role in ensuring adequate evaluation of the results of the targeting efforts is vital. If the Department cannot fulfill this request, it should inform the Board by February 15, 2007, and recommend an appropriate alternative.

receive targeted energy efficiency services within its service territory must work closely with Efficiency Vermont to ensure adequate reliability for the identified area. For that reason, Efficiency Vermont shall provide an estimate of the amount of energy efficiency savings that can be achieved for each area. These estimates can be used by the affected utilities in their planning efforts. In addition, each affected utility will continue to work with Efficiency Vermont in evaluating the actual energy efficiency savings achieved at each targeted area and determining whether the achieved savings are sufficient to ensure reliability. Finally, we note that this Order should not create any future expectations or sense of entitlement from any electric utility regarding the receipt of any future targeted energy efficiency measures beyond 2008.

IV. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The Board directs Efficiency Vermont to target energy-efficiency measures in the four geographic areas identified in this Order.
2. Efficiency Vermont shall file, by January 31, 2007, a proposed protocol for determining the cost-effectiveness of the targeted energy efficiency measures and evaluating whether the targeted measures have effectively deferred transmission and distribution upgrades.
3. The Department of Public Service is requested to work with Efficiency Vermont and the Vermont electric utilities to develop evaluation measurements that will verify that geographically targeted energy-efficiency can achieve the intended result of deferring transmission and distribution upgrades. The Department is requested to file a report by March 1, 2007, indicating whether any additional evaluation measures are needed. Any comments on the Department's March 1 filing must be received by April 7, 2007.

Dated at Montpelier, Vermont, this 8th day of January, 2007.

<u>s/James Volz</u>)	
)	PUBLIC SERVICE
)	
<u>s/David C. Coen</u>)	BOARD
)	
)	OF VERMONT
<u>s/John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: January 8, 2007

ATTEST: s/Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)